



## North Sea Transition Forum Meeting 7<sup>th</sup> December 2020

The meeting was held via MS Teams

### Welcome and Opening Remarks

- Andy Samuel, Chief Executive, OGA opened the meeting, he thanked everyone for joining and welcomed the Rt Hon Kwasi Kwarteng, Minister of State for Business, Energy and Clean Growth, Paul Wheelhouse, Minister for Energy, Connectivity and Islands for the Scottish Government and David Duguid, Parliamentary under Secretary of State for Scotland. He also welcomed new and returning members to the forum.
- Andy recognised it had been a difficult year and thanked the sector for way they had responded to maintain safe production.
- He advised that he was particularly pleased to see how much action and commitment there has been to the very important net zero agenda.
- The new OGA Strategy is expected to be laid in parliament shortly.

### Ministers Update

Rt Hon Kwasi Kwarteng

- The Rt Hon Kwasi Kwarteng Minister of State for Business, Energy and Clean Growth advised he was pleased to be attending another forum meeting.
- It is significant that the meeting was taking place under the new title, this is an indicator that the energy transition is being taken very seriously.
- Reinforced the key message that the oil and gas sector is vital to the UK in terms of economic value, jobs and security of energy supply.
- The Minister has seen the proposal for the North Sea Transition Deal (NSTD) and hopes to get this finalised next year.
- Very much appreciated the efforts made in keeping production going, looking after staff and thinking about the net zero challenge.
- The NSTD is part of a wider context for energy policy, which includes the Energy White paper and the Prime Minister's 10-point plan.
- It is recognised that the industry will be a key partner in making the transition happen.  
BEIS are currently undertaking a review of future licensing rounds. Thanks, were given to those who had contributed to the review, engagement will continue, this will help form policy going forward.
- The NSTD is crucial to the strategic relationship between the industry and government, the progress made in terms of the offer have been recognised.

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- This deal will set the tone for future relationships between government and industry.

#### Paul Wheelhouse

- Paul Wheelhouse Minister for Energy, Connectivity and Islands for the Scottish Government was pleased to attend the forum and welcomed the name change.
- He thanked the industry for their efforts through the Covid pandemic.
- This remains a difficult time but also provides an opportunity to look forward, it will be important to move at pace and seize opportunities for a green recovery. The scale of challenge is significant but there is an opportunity to bring long term prosperity to Scotland and the UK with new net zero investments.
- Even in the most rapid transition scenario oil and gas will still supply an estimated 45% of global energy needs in 2040 and a thriving supply chain will be crucial.
- The Scottish Government remain guided by the three core principals set out in the Energy Strategy:
  - Take a whole system view;
  - deliver an inclusive energy transition
  - A smarter local energy model
- Early next year the Scottish Government will publish the Energy Policy mission statement.
- Scotland has shown global leadership in the area of climate change and have set some of the most ambitious targets in the world.
- The forthcoming climate change plan update sets out the actions that Scotland are taking to meet the targets.
- The Scottish Government believes there is a strong platform which can form the basis for discussions at COP26. Industry is also positioning itself to be able to tell a positive story.
- COP26 provides an opportunity to highlight the leadership that national governments are demonstrating in addressing the climate crises and articulate the role the sector has in facilitating the energy transition.
- In driving forward there is an opportunity to build strength into the industry narrative to showcase what the sector can bring to a net zero future.
- The NSTD will act as a catalyst to unlocking a net zero future, while at the same time building supply chain strengths and unlocking new decarbonised energy resources.
- Pace, ambition and clarity are of great importance for both industry and government.
- The energy transition is at the heart of the Scottish Governments plans for supporting and sustainable economic recovery.
 

While the context has changed the challenge remains the same to ensure a sustainable future for the sector. We all have a responsibility for the sector and workforce to deliver an inclusive, sustainable and just transition to net zero. Today's meeting is a crucial next stop.

#### David Duguid

- David Duguid Parliamentary under Secretary of State for Scotland advised he was delighted to be attending this transitional meeting at this exciting for the industry.

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- He looks forward to continuing build relationships with the industry.
- One of the UK's Governments priorities is economic recovery and the oil and gas sector will be a big part of this.
- Keen to hear more about how the industry plans to contribute to the recovery particularly through the NSTD, this could be a major opportunity for the sector.
- The NSTD will contribute to the reduction of emissions in the sector and ensure that skills can be repurposed to the clean energy market.
- The oil and gas industry has a massive role to play in the transition to clean energy. It has the skills, people and knowledge to allow the UK to become a global leader in energy transition.
- It will be crucial for the government to draw on the sectors expertise as the plan is developed.
- He has seen the NSTD proposals and believes it will be a positive step.
- In less than a year Glasgow will host COP26 and in the run up the UK government intends to demonstrate the UK's global leadership on climate change and will encourage others to step up to reduce emissions.
- A key moment on the journey to COP26 was the prime ministers announcement of his 10-point plan which is an ambitious and innovative plan for job creation, demonstrating this governments commitment to a green industrial revolution. This was further demonstrated by the recent spending review.
- It is an exciting time for the industry with the energy transition, there will not be a transition without oil and gas.

## **Industry Update Operators**

- Operators have had to respond vigorously to the current crises, with the main priority being to protect their workforce. Resources have been targeted to maintain production levels at 2019. There have been 400 specific Covid related helicopter flights since March.
- The Workforce has been reduced by approximately 20% on installations, numbers have been stable since July.
- Some maintenance and shutdown work has been postponed until 2021, it is anticipated that 2021 will be a busy period for shutdowns.
- A second priority for operators was to preserve cash, available money has been allocated to maintain production. Wells, projects and decommissioning have also been postponed.  
The level of Capex has been reduced by 40% compared to 2019.
- Drilling activity remains low, particularly in the drilling and exploration activity, only 6 exploration wells have been drilled in 2020, overall the spend on exploration and appraisal has been cut by half since 2019. Decommissioning has reduced by 30%. This has been done to maintain sustainability.
- It is estimated that 8000 jobs have been lost across the industry.
- Looking ahead to 2021 and beyond, the OGUK's three phase framework continues to be important:
  - Protect – Well in hand
  - Recovery – most operators still see 2021 as a difficult year with a lot of uncertainties. Might be 2022 before some projects come back.
  - Accelerate

- transition – Companies continue to invest, energy transition is an area where investment will not be hit, some companies are planning to accelerate their investment.

## Supply Chain

- The supply chain is driven by activity, across all areas 2021 looks like it will have two thirds of the activity that 2019 had, capital spend is expected to be half. This will cause difficulties for supply chain companies.
- There are some areas for excitement and optimism, safety performance has been very good this year, there is also a range of digital efficiencies that are being taking forward.
- From a supply chain view point the energy transition is exciting. There are many applicable skills in the oil and gas industry that could transfer to new energies. There is a great deal of enthusiasm in the supply chain for this.
- The local content percentage outlined in NSTD is a big opportunity for the supply chain to anchor skills here in the UK.
- If the NSTD can be taken forward at pace the UK could become a leader in this area.
- The Supply chain and Exports Task Force (SCETF) are confident that the transition will happen and that it will be good for the industry. Efforts have been focussed on ensuring that the supply chain is in as good place when the transition arrives.
- Four focus areas have been identified to be taken forward by the SCETF in 2021.
  1. Stimulate demand
  2. Visibility of projects
  3. Frictionless tendering
  4. Prompt payment terms

## Unions

- Not sure that the workforce sees the excitement that has been mentioned earlier in the meeting.
- The unions are keen to see the NSTD being brought forward quickly.
- There is a feeling that the plans may not be ambitious enough.

A lot is being said about the energy transition, but it is essential that actions are taken at pace.
- Pressures will increase as we move closer to COP26, the unions are engaging with NGO's. It will be critical to get them on board regarding the role the industry will have in the transition.
- Another element that could help is the application of robust agreements that protect workers and the supply chain, the unions would welcome the application of Energy Services Agreement, it is hoped to have this framework finalised shortly.
- It is hoped that the Energy Service Agreement will form part of the tendering process and be referred to in the supply chain principals.
- It is essential that work is created, and there is a need to look at how to stimulate work.

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- There is concern about the workforce that has been lost and how they could be brought back. One request related to training, is to bring redundant workers back to do training using company facilities specifically stimulators, starting with the well operations side.
- It is important to maintain skills levels particularly for health and safety.

### **Early career perspective**

- Different routeways into the industry were outlined and highlighted the industries positive work on careers paths.
- In the last decade perceptions of the industry have changed significantly, jobs in the oil and gas were previously seen as aspirational and secure. This has changed, there are now concerns over job security as well as social and moral pressures.
- However, this industry can provide real opportunities to be part of and influence the energy transition, representing a significant societal change, it would be difficult to find an industry with such a global impact.
- A major concern is how the industry is portrayed by the media and especially social media, which is widely used by the next generation, this presents a challenge.
- Securing the next generation of talent will be vital for the industry, without effectively conveying a true picture of our industry to the public across all platforms, it could be a challenge to fill 80,000 new energy jobs.
- There are definitely opportunities for improvement in our industries approach to self-promotion and there is no doubt that the NSTD could play a key role influencing perceptions.
- Early career individuals want to see the NSTD as a mechanism that drives real achievable change, a deal that supports the opportunities and combats the challenges that the energy transition will bring. This will be fundamental to tackling climate change and attracting the next generation of talent.
- In order to tackle current perceptions which are potentially a blocker to industry entry, we need to see demonstratable progress with the transition, so we can justify the promise to have a direct role in change.

### **North Sea Transition Deal**

## OGUK overview

- Good progress has been made.
- NSTD submission was sent to BEIS at the end of November, it is seen as a massive opportunity to accelerate the contribution that this sector can make to the energy transition.
- The NSTD ambition is to “accelerate the energy transition, reduce UK emissions, and create new jobs across the UK”.
- It is an integrated approach with the energy transition relying on the oil and gas industry.
- There is a great deal of commitment in the industry to make this a success and progress it quickly.

## BEIS next steps

- BEIS will work closely with industry to get the NSTD completed as quickly as possible.
- The OGA and OPRED as the relevant regulators will have a role to track progress against the plan.

## Discussion

During the discussion the following points were made:

- The Scottish Government is keen to support the success of the transition deal. Devolved administrations would have responsibility for skills and workforce issues.
- Important to get the balance between oil and gas and energy transition activities correct, and into a position where they can help each other.
- It is recognised that 2021 could be as tough as 2020, but investment profiles are there. What is different is that the investment will be made up of oil and gas and energy transition projects.
- The NSTD will help to encourage investment.
- Going at pace was a recurring theme, this could allow the UK to become a world leader and create a large carbon capture and storage and hydrogen industry.
- Need to support the supply chain to ensure that there is a supply chain to support the energy transition.

## Closing Remarks

- It was good to see the energy and enthusiasm in the industry as this will be needed going forward.
- Grateful for the chance to hear more about the NSTD. Appreciate that the deal has been complex to pull together, but as mentioned throughout the meeting going at pace will be critical.

Andy thanked everyone for there attendance and closed the meeting.